

## Message Text

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PAGE 01 LISBON 03949 131630Z

43

ACTION EUR-25

INFO OCT-01 AF-10 ISO-00 SAM-01 PA-04 PRS-01 USIA-15

AID-20 CIAE-00 COME-00 EB-11 FRB-03 INR-11 NSAE-00

RSC-01 TRSE-00 XMB-07 OPIC-12 SP-03 CIEP-03 LAB-06

SIL-01 OMB-01 NSC-07 SS-20 STR-08 CEA-02 L-03 DRC-01

/177 W

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R 131547Z SEP 74

FM AMEMBASSY LISBON

TO SECSTATE WASHDC 512

INFO AMCONSUL OPORTO

AMCONSUL LUANDA

AMCONSUL PONTA DELGADA

AMCONSUL LOURENCO MARQUES

UNCLAS LISBON 3949

EO 11652: N/A

TAGS: EFIN, PO

SUBJ: NATIONALIZATION OF PORTUGUESE BANKS OF ISSUE

REF: LISBON 3710

1. THE GOP HAS DETERMINED THAT THE PREVIOUSLY REPORTED NATIONALIZATION OF PORTUGUESE BANKS OF ISSUE (SEE REFTEL) WILL BECOME EFFECTIVE SEPTEMBER 15. THE THREE BANKS INVOLVED ARE THE BANK OF PORTUGAL (CENTRAL BANK), THE BANK OF ANGOLA, AND THE BANCO ULTRAMARINO.

2. THE NATIONALIZATION DECREE LAW SPECIFIES THAT PRIVATE SHARE HOLDERS WILL BE COMPENSATED WITH STATE BONDS, AT LEAST ONE-TWENTIETH OF WHICH ARE TO BE AMORTIZED EACH YEAR BEGINNING JANUARY 1, 1976. THE VALUE OF THE BONDS IS TO BE DETERMINED BY USING THE AVERAGE

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PAGE 02 LISBON 03949 131630Z

VALUE OF THE SHARES AS QUOTED ON THE STOCK EXCHANGE BETWEEN

JANUARY 1, 1964, AND DECEMBER 31, 1973. INTEREST RATES ON THE BONDS ARE TO BE DETERMINED ON THE BASIS OF AVERAGE VALUE OF EARNINGS OF THE SHARES DURING THE SAME PERIOD.

3. BY THE END OF 1974 LAWS GOVERNING THE ORGANIZATIONS OF THE THREE BANKS WILL BE PROMULGATED. IN THE MEANTIME THEY WILL CONTINUE TO OPERATE UNDER PRESENT STATUTES UNLESS THOSE CONFLICT WITH THE NATIONALIZATION LAW. THE BANKS AS OF SEPTEMBER 15 BECOME PUBLIC ENTERPRISES, ALL OF WHOSE SHARES BELONG TO THE STATE. THEY WILL CONTINUE TO EXERCISE ALL OF THE FUNCTIONS THEY NOW PERFORM.

4. WEEKLY NEWSPAPER EXPRESSO ESTIMATES VALUE OF SHARES TO BE EXCHANGED FOR STATE BONDS AS BETWEEN \$120 MILLION AND \$200 MILLION.

5. COMMENT: AS EXPLAINED IN REFTTEL, NATIONALIZATION OF THESE BANKS IS NOT PARTICULARLY MEANINGFUL IN TERMS OF STATE CONTROL, SINCE THE STATE ALREADY DOMINATES THEIR ADMINISTRATIONS. BY COMPENSATING SHARE HOLDERS WITH STATE BONDS THAT WILL NOT BEGIN TO BE AMORTIZED UNTIL 1976 AND NEED NOT BE FULLY AMORTIZED UNTIL 1996, THE GOP HAS ASSURED THAT NATIONALIZATION WILL HAVE NO IMMEDIATE IMPACT ON THE BUDGET, AND THE COST TO THE STATE WILL BE SPREAD OVER MANY YEARS.

SCOTT

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## Message Attributes

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